

Saudi Arabia - State Department Telegrams
To SECSTATE - EXDIS (4)

(Presidential Country Files for Middle East and South Asia)



The seal of the United States Department of State, featuring an eagle with a shield, holding an olive branch and arrows, with a constellation of stars above its head. The text "DEPARTMENT OF STATE" is arched above the eagle, and "UNITED STATES OF AMERICA" is arched below it, separated by two small stars.

~~SECRET~~ 5472

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ACTION SS-25

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DECLASSIFIED
E.O. 12958, SEC. 3.5
STATE DEPT, GUIDELINES *State Review 2/6/03*
BY , NARA, DATE 5/13/2003

EXDIS

E.O. 11652: GDS
TAGS: MASS, SA, US
SUBJECT: AGENT'S FEES ON NATIONAL GUARD MODERNIZATION CONTRACTS

SUMMARY: AT PRESENT, MODA INSTRUCTIONS ON AGENT'S FEES DO NOT REPEAT NOT APPLY TO SAUDI ARABIAN NATIONAL GUARD (SANG). AS ISSUES ARISE HOWEVER, IT NOT LIKELY OTHERS CAN GIVE THEMSELVES MORE LEEWAY THAN MODA ENJLYS. NEED TO CLARIFY SANG'S POSITION URGENT, SINCE AN IMPORTANT INITIAL CONTRACT REQUIRES SIGNATURE BY JULY 24, FOR INITIATING NLT JULY 28. SANG PROGRAM MANAGER GENERAL LAWRENCE HAS GIVEN PRINCE ABDULLAH A LETTER ON JULY 22 ASKING THAT THE CONTRACT BE SIGNED AND MENTIONING IN A LOW-KEY WAY AMOUNT OF AGENT'S FEES INVOLVED AND THAT THESE FEES HAVE BEEN EXAMINED BY U.S.G. AND FOUND TO BE NECESSARY AND ACCEPTABLE. END SUMMARY.

1. SANG PROGRAM MANAGER BRIGADIER GENERAL LAWRENCE HAS AFFIRMED TO EMBASSY THAT PRINCE SULTAN'S POSITION ON AGENT'S FEES IN ASSOCIATION WITH FMS CASES APPLIES SO FAR ONLY TO MODA CONTRACTS AND THAT SANG HAS NOT YET TAKEN A POSITION ON HOW AGENT'S FEES ARE TO BE HANDLED. IT SEEMED LIKELY TO US HOWEVER THAT AS INDIVIDUAL CASES AROSE, IT WOULD BE HARD FOR PRINCE ABDULLAH TO ALLOW HIMSELF MORE

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LEEWAY IN MILITARY PURCHASES THAN IS ENJOYED BY MINISTRY OF DEFENSE. GENERAL LAWRENCE ALSO INFORMED CHARGE THAT IT WAS NECESSARY FOR PRINCE ABDULLAH VERY SOON TO TAKE A POSITION ON THIS ISSUE BECAUSE THE MAINTENANCE AND TRAINING PACKAGE FOR THE B-150 ARMORED CAR USED IN THE MODERNIZATION PROGRAM NEEDED TO BE SIGNED BY JULY 24 SO THAT AMC AND CADILLAC GAGE COMPANY COULD BE INSTRUCTED TO PROCEED. THE CONTRACT IS A SMALL ONE (\$9,086,219) AND INCLUDES AN AGENT'S COMMISSION OF \$547,145. THE PROPOSED CONTRACT, INCLUDING ALL FEES, WAS EXAMINED BY PROGRAM OFFICE AND DOD, AND WAS FOUND TO BE ACCEPTABLE. GENERAL LAWRENCE ACCORDINGLY SUBMITTED THE FOLLOWING LETTER TO PRINCE ABDULLAH ON JULY 22; IN IT, THE QUESTION OF AGENT'S FEES IS MENTIONED IN A DELIBERATE, LOW-KEY WAY AND THE LETTER IS ALSO CAST SO AS NOT TO CONFLICT WITH POSITION ENUNCIATED BY MODA PRINCE SULTAN ON ALLOWABLE COMMISSION FEES.

2. TEXT OF LETTER FOLLOWS:

YOUR ROYAL HIGHNESS:

RECENTLY WE REPORTED TO YOU CONCERNING THE STATUS OF OUR NEGOTIATIONS WITH THE CADILLAC GAGE COMPANY FOR THE CONTRACT FOR MAINTENANCE AND TRAINING SUPPORT FOR THE V-150 ARMORED CAR USED IN THE MODERNIZATION PROGRAM. THIS LETTER IS FOR THE PURPOSE OF PROVIDING YOU THE LATEST INFORMATION WITH REGARD TO THIS CONTRACT AND TO SEEK YOUR CONCURRENCE IN OUR ACTIONS.

SUBSEQUENT TO OUR LAST CORRESPONDENCE IN THIS MATTER WE WERE SUCCESSFUL IN NEGOTIATING AN AGREEMENT WITH THE CADILLAC GAGE COMPANY WHICH CONTAINED THE APPROPRIATE SALARY RATES. YOUR LETTER AUTHORIZING ME TO CANCEL SOLE SOURCE NEGOTIATIONS WITH THE CADILLAC GAGE COMPANY AND CONDUCT A LIMITED COMPETITION, IF NECESSARY, WAS INSTRUMENTAL IN CAUSING THEM TO COME TO TERMS. WE FINALIZED THE CONTRACT AT APPROXIMATELY TWO MILLION DOLLARS LESS THAN WHAT THEY HAD PREVIOUSLY INDICATED AS THEIR FINAL OFFER. OTHER ELEMENTS WHICH WERE PREVIOUSLY IN QUESTION WERE ALSO RESOLVED TO OUR SATISFACTION AND WE FEEL THE AGREEMENT REACHED IS FAIR AND IN THE BEST INTEREST OF THE KING.



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THE CONTRACT THAT WAS NEGOTIATED CONTAINS A CEILING ON COST AS DESIRED BY YOUR GOVERNMENT, AND THE CONTRACTUAL AGREEMENT IS SIMILAR TO THE ONE NEGOTIATED WITH THE VINNELL CORPORATION. THE CEILING AMOUNT OF THE CONTRACT IS \$9,086,219.00 (SR 31,392,886). THIS AMOUNT INCLUDES A TARGET COST OF \$6,882,171.00 (SR 23,777,900), WHICH HAS IN IT AN AGENT'S COMMISSION OF \$547,145.00 (SR 1,890,385). BASE AND AWARD FEES TOTAL \$639,678.00 (SR 2,382,387).

IN ACCORDANCE WITH U.S. PROCUREMENT REGULATIONS, WE HAVE ANALYZED THE AGENT'S COMMISSION AND MADE A WRITTEN DETERMINATION THAT THE RELATIONSHIP BETWEEN THE CADILLAC CAGE COMPANY AND THEIR AGENT IS BONA FIDE AND THE AMOUNT OF FEE IS REASONABLE. THE CONTRACT AGENCY AGREEMENT REQUIRES THE AGENT TO PERFORM MANY SERVICES FOR THE CONTRACTOR WHICH ARE CONSIDERED NECESSARY TO SUCCESSFUL COMPLETION OF THE EFFORT. THE PROPOSED CONTACT, INCLUDING ALL FEES, WAS

EXAMINED AT THE VARIOUS ORGANIZATION LEVELS REQUIRED BY U.S. PROCUREMENT REGULATIONS AND WAS FOUND TO BE ACCEPTABLE.

I AM REQUIRED TO INFORM YOU THAT A RECENT CHANGE IN U.S. PROCUREMENT REGULATIONS NECESSITATES THAT YOUR CONCURRENCE BE RECEIVED PRIOR TO INITIATING THE CONTRACT. IN THE INTEREST OF MAINTAINING THE MODERNIZATION PROGRAM SCHEDULE AND IN ORDER FOR US TO PROVIDE THE SANG THE BEST POSSIBLE SERVICE, WE CONSIDER IT IMPERATIVE THAT THIS CONTRACT BE INITIATED BY THE CADILLAC CAGE COMPANY NOT LATER THAN 28 JULY 1975. WE THEREFORE REQUEST YOUR CONCURRENCE WITH THE AWARD OF THIS CONTRACT BY 24 JULY 1975, SO THAT WE CAN NOTIFY THE ARMY MATERIEL COMMAND AND CADILLAC CAGE COMPANY TO PROCEED. I HAVE INCLOSED FOR YOUR CONSIDERATION A SUGGESTED LETTER THAT YOU MAY WANT TO USE IN APPROVING THE CONTRACT.

PLEASE BE ASSURED, YOUR ROYAL HIGHNESS, OF OUR CONTINUING HIGHEST ESTEEM. RICHARD D. LAWRENCE, BRIGADIER GENERAL, USA, PROJECT MANAGER. END TEXT.

3. PRINCE ABDULLAH TOLD GENERAL LAWRENCE HE APPRECIATED

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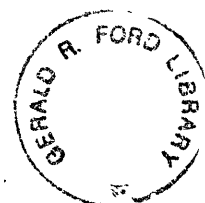
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THE NEED TO MOVE AHEAD ON THIS INITIAL CONTRACT PROMPTLY,
AND WOULD BE BACK IN TOUCH WITH HIM AS SOON AS POSSIBLE.
GENERAL LAWRENCE WILL TODAY (JULY 23) FOLLOW UP ON THIS
CASE WITH GUARD OFFICIALS IN RIYADH.
HURAN

NOTE BY OC/T: NOT PASSED DOD AND AMC.



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The seal of the United States Department of State. It features an eagle with wings spread, perched on a shield with vertical stripes. Above the eagle's head is a circular emblem with a sunburst. The words "DEPARTMENT OF STATE" are arched above the eagle, and "UNITED STATES OF AMERICA" is arched below it. Two small stars are positioned on either side of the eagle's head.

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PAGE 01 JIDDA 05939 01 OF 02 251808Z

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W 065659

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INFO AMEMBASSY AMMAN
AMEMBASSY BEIRUT
AMEMBASSY CAIRO
AMEMBASSY TEL AVIV
AMCONSUL DHAHRAN
SECSTATE WASHDC 2244

DECLASSIFIED
E.O. 12958, SEC. 3.5
STATE DEPT, GUIDELINES, State Rev. CW 2/6/03
BY lsh, NARA, DATE 5/13/003

~~SECRET~~ SECTION 1 OF 2 JIDDA 5939

EXDIS

E.O. 11652: GDS
TAGS: OVIP (KISSINGER, HENRY A.), SA
SUBJECT: NOTES FOR SECRETARY'S DISCUSSIONS IN TAIF

SUMMARY: THE SAUDI GOVERNMENT (SAG) HAS RECOVERED FROM THE SHOCK OF FAISAL'S ASSASSINATION. IN THE PAST FIVE MONTHS IT HAS DEMONSTRATED UNUSUAL INITIATIVE IN FOREIGN POLICY, AND A GREATER AWARENESS THAN IN THE DAYS OF FAISAL OF ITS SPECIFICALLY NATIONAL INTERESTS. SAUDIS DO NOT WISH THEIR SPECIAL RELATIONSHIP WITH THE UNITED STATES TO DIMINISH--RATHER THE REVERSE. BUT WE MAY EXPECT THE SAUDIS HENCEFORTH TO DEAL WITH US MORE AS EQUAL PARTNERS--WITH WHOM DIFFERENCES WILL INEVITABLY ARISE AND WHICH CAN BE AMICABLY DISCUSSED. THEY WILL ASK US TO PRESSURE EGYPT FOR A CLEAR, FIRM LINK BETWEEN THE SECRETARY'S CURRENT PEACE MISSION AND FURTHER PROGRESS TOWARD A SETTLEMENT ON THE EASTERN ARAB FRONT. KING KHALID WILL PROBABLY SPEAK ABOUT JERUSALEM. PRINCE FAHD WILL SPEAK URGENTLY ABOUT THE NEED FOR A FASTER, MORE FORTHCOMING U.S. RESPONSE TO SAUDI ARMS REQUESTS. IN THIS HE MAY BE MOTIVATED PARTLY BY A DESIRE TO PROTECT HIS OWN POSITION AND PARTLY TO OBTAIN STRONGER

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SUPPORT FROM HIS ENERGETIC BROTHER PRINCE SULTAN. IF THE U.S. RESPONSE IS UNSATISFACTORY OR IF THE SAG IS EMBARRASSED BY FURTHER REVELATIONS OF THE CHURCH COMMITTEE, IT WILL SHIFT ITS ARMS PROCUREMENT MORE TO EUROPEAN ARMS SOURCES. THE USG AND SAUDI ARABIA WOULD THUS DRIFT SOMEWHAT APART AND FAHD'S POSITION WOULD BE WEAKENED. ON ENERGY, FAHD AND PRINCE SAUD WILL SAY THEY WISH TO COOPERATE WITH THE USG, AND EXPRESS OPPOSITION TO ANY DESTABILIZING PRICE INCREASES IN VIENNA. THEY WOULD ASK HOWEVER FOR OUR ASSISTANCE IN ESTABLISHING A COORDINATE POSITION WITH IRAN. GIVEN THE SAG'S INCREASED STRENGTH AND SELF CONFIDENCE, OVERT U.S. PRESSURE ON ENERGY MATTERS WOULD PROBABLY ENHANCE SAUDI-OPEC SOLIDARITY.

END SUMMARY.

1. THERE FOLLOW SOME NOTES FOR THE SECRETARY'S MEETINGS IN TAIF WITH KING KHALID BIN ABD AL-AZIZ, CROWN PRINCE FAHD BIN ABD AL-AZIZ, AND MINISTER OF STATE FOR FOREIGN AFFAIRS PRINCE SAUD BIN ABD ABL-AZIZ:

2. CONFIDENCE AND POISE OF SAG: IN THE PAST FIVE MONTHS, THE KINGDOM AND THE SAG HAVE LARGELY OVERCOME THE SHOCK OF KING FAISAL'S ASSASSINATION. SELF CONFIDENCE IS ON THE UPSWING AND SAUDI ASSERTIVENESS WITH REGARD TO DIPLOMATIC AND POLICITCAL AFFAIRS IS GROWING. THESE ATTITUDES ARE BASED UPON THE KINGDOM'S EVIDENT STABILITY, A FAIRLY COMPETENT AND EXPERIENCED LEADERSHIP, AND ITS IMPREGNABLE ECONOMIC POSITION. SAUDI DIPLOMACY HAS BEEN ACTIVE AND HAS UNDERTAKEN INITIATIVES WITH SYRIA, IRAQ, AND SOUTH YEMEN. NOT ALL HAVE SUCCEEDED FULLY, BUT NONE HAS FAILED. SAUDIS HAVE BEEN ACTIVE ALSO WITH THE YAR--TO WHICH THEY RECENTLY GRANTED \$700 MILLION IN AID PROJECTS AND BUDGETARY SUPPORT. PRINCE FAHD HAS VISITED BAGHDAD, DAMASCUS, AMMAN AND PROMISES SOON TO VISIT THE UAE. FOREIGN VIP'S CONVERGE ALMOST DAILY UPON THE SAG'S SUMMER CAPITAL IN TAIF, WHERE KING KHALID PLANS TO REMAIN UNTIL EARLY OCTOBER.

3. KING FAISAL WAS AN OVERWHELMING FIGURE WITHIN SAUDI ARABIA; DURING HIS LATER DAYS WHAT WAS UNIQUE AND SPECIFIC ABOUT SAUDI ARABIA'S POLICY ORIENTATION WAS OBSCURED BY HIS FIXATIONS WITH ZIONISM AND COMMUNISM. WITH FAISAL REMOVED FROM THE



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SCENE HOWEVER, THE SAG'S LEADERSHIP HAS A SOMEWHAT SHARPER, MORE LIMITED AND PRAGMATIC PERCEPTION OF SAUDI ARABIA'S NATIONAL INTERESTS.

4. WHAT THIS MEANS FOR US IS THAT SAUDIS MAY BE MORE WILLING THAN THEY WERE IN THE PAST TO EXPRESS AND MAINTAIN POSITIONS OF THEIR OWN, WHICH OFTEN BUT NOT ONLY, MAY BE THOSE OF THE UNITED STATES. THERE IS NO DESIRE ON THE PART OF THE SAG TO ABANDON THE PRO-U.S. POLICIES OF KING FAISAL OR TO WEAKEN THE U.S.-SAUDI BOND; IN FACT WE KNOW PRINCE FAHD WOULD LIKE IT TO BECOME EVEN CLOSER ON MILITARY AND ECONOMIC MATTERS. IT IS JUST THAT WE MAY EXPECT THE SAUDIS TO DEAL WITH US MORE ON THE BASIS OF AN ASSUMED EQUALITY, AS REGIONAL PARTNERS WITH WHOM SOME DIFFERENCES OF OPINION CAN OCCUR AND BE AMICABLY DISCUSSED. FOR INSTANCE, THEIR DISPOSITION IS TO BE MORE ACTIVIST THAN WE OVER THE RUSSIANS IN BERBERA; SOMETIMES THEY MAY FEEL OVERUSED BY OUR SPECIAL REQUESTS TO THEM ON BEHALF OF THIRD POWERS (JORDAN, ETHIOPIA, YEMEN, OMAN); ARAB-ISRAEL IS ANOTHER AREA WHERE OUR VIEWS AND THE SAG MIGHT VARY.

4. PEACE EFFORTS: THE SAG DESIRES THE SECRETARY'S PEACE MISSION TO BE A COMPLETE SUCCESS AND NOT JUST A PARTIAL ONE. THEY ARE APPREHENSIVE THAT AFTER A SECOND STAGE ISRAELI-EGYPTIAN AGREEMENT IS REACHED, THE UNITED STATES WILL LOSE INTEREST IN PURSUING SMALL GAINS AT HIGH RISKS THROUGH THE THICK DIPLOMATIC UNDERBRUSH OF JORDAN, SYRIAN, AND THE WEST BANK. THE SAG HAS CLOSE TIES TO SYRIA, FORMER SYRIANS SERVE AS SENIOR ADVISORS TO THE KING AND CROWN PRINCE, AND THE SAG WILL AFFIRM TO US AND EGYPT THE NECESSITY FOR A CLEAR AND FIRM LINK BETWEEN USG EFFORTS ON ITS WESTERN AND EASTERN ARAB FRONTS.



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~~SECRET~~ SECTION 2 OF 2 JIDDA 5939

5. AUDIENCE WITH KING KHALID -- BACKGROUND: KING KHALID IS SATISFACTORILY PERFORMING THE MORAL AND CEREMONIAL FUNCTIONS OF SAUDI KINGSHIP. HE IS A SINCERE, HONEST, PIOUS MAN WHO MAINTAINS GOOD RAPPORT WITH HIS PEOPLE. HE IS NOT AN ACTIVE POLICY MAKER, BUT THROUGH UNINTEREST OR A RECOGNITION OF HIS OWN LIMITATIONS, HE HAS SO FAR SHOWN NO INCLINATION TO MEDDLE HARMFULLY WITH THE MACHININERY OF GOVERNMENT. THERE ARE CONTINUED REPORTS THE KING'S HEALTH (HE HAD OPEN-HEART SURGERY IN 1971) WILL REQUIRE HIM TO REASSIGN THE PRIME MINISTER AND FOREIGN MINISTER TITLES HE HOLDS. THIS MAY COME TO PASS, BUT PROBABLY FOR FUNCTIONAL, NOT HEALTH REASONS. TO THE EMBASSY HE APPEARS TO BE THRIVING ON THE ATTENTION HE RECEIVES, AND HAS NOT LOOKED SO WELL IN OUR MEMORY.

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Department of State **TELEGRAM**

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THE SECRETARY HAS BEEN MAKING, AND HE WILL INTERRUPT THE TRANSLATOR BEFORE HE HAS FINISHED THE SECRETARY'S REMARKS. HIS PRESENTATIONS ARE SOME-

WHAT MORE COMERZKT NOW THAN DURING HIS FIRST PUBLIC DISCUSSION OF STATE ISSUES WITH VISITORS. HE HAS IMPROVED WITH PRACTICE BUT NOT MUCH.

7. HE IS MORE LIKELY TO DISCUSS THE JERUSALEM QUESTION THAN EITHER FAHD OR PRINCE SAUD. THE FURTHER PARTITIONING OF THE HEBRON MOSQUE HAS DISTRESSED HIM. HE IS NOT OBSESSED AS FAISAL WAS WITH ZIONISM AND COMMUNISM, BUT IN HIS BELIEF IN THE EXCESSIVE INFLUENCE OF ZIONISM IN THE UNITED STATES HE IS SIMILAR TO OTHER ARBS AND SAUDIS. JERUSALEM IS ONE ISSUE ON WHICH FAHD AND OTHERS IN THE GOVERNMENT ARE PROBABLY HAPPY TO LET HIM SPEAK AND ON WHICH HE CAN BE COUNTED UPON PRETTY ACCURATELY TO REFLECT THE SAG'S OFFICIAL OPINION.

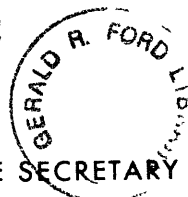
8. HE MAY ALSO HAVE BEEN PUMPED UP TO SPEAK ABOUT THE NEED FOR A MORE RESPONSIVE U.S. ATTITUDE ON DEFENSE ASSISTANCE, BUT THIS ITEM WILL BE RESERVED PRIMARILY FOR PRINCE FAHD.

9. MEETING WITH PRINCE FAHD AND PRINCE SAUD -- DEFENSE MATTERS: PRINCE FAHD WILL SPEAK STRONGLY AND URGENTLY ABOUT THE NEED FOR A MORE FORTHCOMING U.S. ROLE ON THE PROVISION OF MILITARY EQUIPMENT TO SAUDI ARABIA. FAHD WILL RECALL THAT ON JUNE 15 HE AND PRINCE SULTAN PRESENTED THE AMBASSADOR WITH AN URGENT LIST OF REQUESTS FOR LETTERS OF OFFER. OF ALL THE ITEMS ON THE LIST ONLY A PARTIAL REPLY WAS MADE-- DURING THE AMBASSADOR'S RETURN IN MID-JULY--ON SAUDI REQUESTS FOR TOW MISSILES AND 155MM SELF-PROPELLED HOWITZERS.

10. FAHD'S CONCERN FOR U.S. MILITARY SUPPLY TO THE SAG MAY STEM PARTLY FROM THE DESIRE TO CONSOLIDATE A CLOSER WORKING RELATIONSHIP WITH HIS DYNAMIC AND FORCEFUL YOUNGER BROTHER, SULTAN. EVER SINCE FAISAL'S DEATH, WHEN SULTAN'S HALF BROTHER ABDULLAH (THE COMMANDER OF THE NATIONAL GUARD) WAS PROMOTED TO THE NUMBER THREE POSITION OVER SULTAN'S HEAD, WE HAVE HAD RELIABLE REPORTS THAT SULTAN AND FAHD ARE NOT WORKING AS CLOSELY AS FAHD (OR WE) WOULD LIKE. THUS, THE MORE SULTAN CAN BE COMMITTED TO A POLICY OF PRIMARY RELIANCE

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ON THE UNITED STATES, THE STRONGER FAHD--THE USG'S MAN PAR EXCELLENCE--WILL BE IN SAUDI POLITICS.

11. IN THE MEANTIME PRINCE SULTAN AND OTHERS IN THE SAG (PERHAPS INCLUDING FAHD) HAVE FELT BEDEVILED AND THREATENED BY THE REVELATIONS OF SENATOR CHURCH'S COMMITTEE. SAUDIS ARE ALSO WORRIED THAT THE CONGRESS'S UNFRIENDLY STANDS ON ARMS AID TO JORDAN AND TURKEY WILL EXTEND TO THEM. MOST RECENTLY ON AUGUST 23, PRINCE SULTAN IN CAIRO CALLED UPON THE ARABS TO DIVERSIFY THEIR SUPPLIERS OF ARMS TO MAKE THEMSELVES LESS DEPENDENT UPON THE GOOD WILL OF A SINGLE SUPPLIER. SULTAN SAID SAUDI ARABIA WAS GOING TO FOLLOW THE SAME POLICY. ACCORDINGLY, WITH EUROPEAN DEFENSE SALES PRESSURE INCREASING, SAUDIS ARE WEIGHING MORE CAREFULLY THAN BEFORE THE ADVISABILITY OF SPREADING THEIR MILITARY BETS. IF THEY DO, THE USG AND THE SAG WILL DRIFT SOMEWHAT APART, AND PRINCE FAHD'S AUTHORITY MIGHT BE DIMINISHED.

12. U.S.-SAUDI JOINT ECONOMIC COMMISSIONS: FAHD MAY COMPLAIN PRO FORMA ABOUT THE INSUFFICIENTLY RAPID PACE OF OUR JOINT COMMISSION WORK. AS WILL CERTAINLY HAVE BEEN POINTED OUT TO THE SECRETARY, HOWEVER, WE HAVE SOME ACHIEVEMENTS TO OUR CREDIT AND MOMENTUM IS INCREASING.

13. TRENDS IN U.S.-SAUDI RELATIONS: PRINCES FAHD AND SAUD WILL NEED TO BE REASSURED THAT THE U.S. DOES NOT--IN CONJUNCTION WITH REPORTS THAT AMBASSADOR AKINS IS TO BE TRANSFERRED--INTEND TO PURSUE A LESS BENIGN ATTITUDE TOWARD SAUDI ARABIA BECAUSE OF SAUDI ARABIA'S MEMBERSHIP IN OPEC. IF THE SECRETARY RAISES THE ENERGY ISSUE, FAHD AND SAUD WILL EXPRESS THE SAG'S OPPOSITION TO ANY DESTABILIZING PRICE INCREASES AT THE FORTHCOMING OPEC MEETING IN VIENNA. THEY MAY MAKE THE POINT THAT WITHIN OPEC SAUDI ARABIA HAS BEEN ONE OF THE MOST MODERATE AND RESPONSIBLE STATES-- BOTH WITH REGARD TO LEVELS OF OIL PRODUCTION AND PRICING. THEY MAY AGAIN AFFIRM SAUDI ARABIA'S READINESS TO COOPERATE WITH THE UNITED STATES, ESPECIALLY IF WE CAN PERSUADE IRAN TO UNDERTAKE A COORDINATE POSITION. THEY WILL PROBABLY INDICATE HOWEVER THAT SAUDI ARABIA WOULD NOT BE PREPARED TO BREAK SHARPLY ON OIL MATTERS WITH FELLOW ARABS SUCH AS KUWAIT, IRAQ, AND ALGERIA, OR WITH OTHER OPEC MEMBERS INCLUDING

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IRAN AND OTHERS, EVEN IF THE ALTERNATIVE WERE A COOLER RELATIONSHIP WITH THE UNITED STATES. THE SECRETARY COULD POINT OUT THE PROGRESS RECENTLY MADE TOWARD THE RECONVENING OF THE PRODUCER-CONSUMER CONFERENCE.

14. SAUDIS WOULD CONSIDER THERE IS LITTLE IN A MATERIAL SENSE WE CAN OFFER THEM THAT WOULD WARRANT INCURRING THE INTENSE HOSTILITY OF FELLOW ARABS, IRAN, AND OTHER OPEC MEMBERS AND WHICH THEY COULD NOT AFFORD TO BUY ELSEWHERE. GIVEN THE SAG'S GROWING SELF CONFIDENCE, AND A BELIEF THAT ITS RELATIONSHIP WITH THE UNITED STATES SHOULD BE CONDUCTED AS BETWEEN EQUAL PARTNERS, THE SAUDIS WOULD NOT RESPOND WELL TO WHAT THEY MIGHT SEE AS A THREAT OF COOLER, LESS COOPERATIVE RELATIONS WITH THE UNITED STATES. OVERT PRESSURE ON SAUDI ARABIA THEREFORE WOULD PROBABLY ENHANCE RATHER THAN WEAKEN SAUDI SOLIDARITY WITH OPEC.
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The seal of the United States Department of State is located at the top center of the page. It features an eagle with wings spread, perched on a shield with vertical stripes. Above the eagle's head is a constellation of stars. The words "DEPARTMENT OF STATE" are arched over the top, and "UNITED STATES OF AMERICA" is arched along the bottom. Two small stars flank the central emblem.

TELEGRAM

~~CONFIDENTIAL~~ 4790

PAGE 01 JIDDA 06135 061658Z

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ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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R 061220Z SEP 75
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 2327
INFO AMEMBASSY ABU DHABI
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AMFMBASSY BERN
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AMFMBASSY BRUSSELS
FC BRUSSELS
AMFMBASSY CAIRO
AMFMBASSY CARACAS
AMFMBASSY COPENHAGEN
AMFMBASSY DOHA
AMFMBASSY THE HAGUE
AMFMBASSY JAKARTA
AMFMBASSY KUWAIT
AMFMBASSY LAGOS
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AMFMBASSY TOKYO
AMFMBASSY TRIPOLI
AMFMBASSY VIENNA
AMFMBASSY BRASILIA
AMFMBASSY KINSHASA
AMFMBASSY NEW DELHI
US MISSION NATO 18
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DECLASSIFIED
E.O. 12958, SEC. 3.5
STATE DEPT, GUIDELINES, *State Review 2/5/03*
BY *ba*, NARA, DATE *5/13/2003*

~~CONFIDENTIAL~~ JIDDA 6138

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Department of State **TELEGRAM**

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PAGE 02 JIDDA 06135 061658Z

F.O. 11652: GDS

TAGS: ENRG, SA, US

SUBJECT: FURTHER TO UPCOMING OPEC OIL PRICE INCREASES

REF: JIDDA 6009

SUMMARY: PET MIN YAMANI TOLD ME ON SEPTEMBER 2 THAT HE WAS UNABLE TO COLZINCE THE HSAH TO ACCEPT AN OIL PRICE INCREASE BELOW 15 PERCENT. HE REPORTED THE HSAH INSISTED THAT "THE AMERICANS" HAD ALREADY AGREED TO A SUBSTANTIAL INCREASE. END SUMMARY.

1. I SAW YAMANI AGAIN THE MORNING OF SEPTEMBER 2. HE SAID THAT THIS MEETING WITH THE SHAH ON THURSDAY, AUGUST 28 WAS A "DISASTER." HE SAID THE SHAH REPEATED THAT A PRICE INCREASE OF 35 PERCENT WOULD GE JUSTIFIED BUT HE WOULD SETTLE FOR A 20 PERCENT INCREASE., I.E. \$2.30/BBL BASED ON AN \$11.50 SELLING PRICE. YAMANI SAID THAT HE ARGUED AT LENGHT FOR NO PRICE INCREASE, THAT THERE MUST BE A PRFEZE AT LEAST UNTIL JANUARY WHEN THE RL ULTS OF THE PRODUCER/ CONSUMER CONFERENCE WILL BE KNOWN. THE HSAH FINALLY COMPROMISED BY AGREEING THAT HE WOULD NOT FIGHT A 15 PERCENT PRICE INCREASE (I.E. A \$1.70/BBL) IF ALL THE OTHER MEMBERS OF OPFC AGREED. HE WOULD NOT SETTLE FOR ANYTHING LESS.

2. YAMANI SAID HE THOUGHT THE SHAH MIGHT EVENTUALLY BE WILLING TO ADJUST TO 15 PERCENT OF CURRENT GOVERNMENT TAKED (I.E., AN INCREASE OF ABOUT \$1.55/BBL) BUT THAT HE WOULD PROBABLY NOT AGREE TO ANYTHING LOWER, THAT HE WOULD FITHT ANYONE WHO ADVOCATED A LOWER PRICE, AND HE WAS FIRMLY CONVINCED THAT EVERYONE IN OPEC WOULD SUPPORT HIM EXCEPT SAUDI ARABIA. YAMANI SAID HE OFFERED A "NOMINAL" INCREASE OF 5 PERCENT (C. 50V CENT/BRL.) BUT THE SHAH SAID THAT WOULD BE TOTALLY UN- ACCEPTABLE. THE SHAH, ACCORDING TO YAMANI, SAID HE SAW NO REASON WHY THE SAUDIS WERE TAKING SUCH A FIRM LINE AS "THE AMERICANS" AND ALREADY AGREED TO A SUBSTANTIAL INCREASE. HE SAID HE HAD RAISED THIS WITH "THE AMERICANS" DURING HIS RECENT TRIP TO AMERICA AND FOUND THEM

PERFECTLY UNDERSTANDING. I SUGGESTED THAT YAMANI RE-



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PEAT THIS TO SECRETARY KISSINGER WHEN HE ARRIVED.

3. THE SECRETARY RAISED THE SUBJECT OF OIL PRICES WITH BOTH CROWN PRINCE FAHD AND KING KHALID. HE SAID, SPEAKING PURELY FROM A POLITICAL POINT OF VIEW, ANY PRICE INCREASE WOULD BE USED AGAINST THE ARABS BY THEIR ENEMIES IN THE UNITED STATES IN ORDER TO PROVOKE A CONFRONTATION BETWEEN PRODUCERS AND CONSUMERS AND EVENTUALLY TO "POLARIZE THE AREA." THE SECRETARY THOUGHT THAT ANY PRICE INCREASE WOULD SURELY NOT BE IN THE INTEREST OF THE ARABS. IN A SUBSEQUENT CONVERSATION WITH YAMANI, YAMANI REPEATED TO THE SECRETARY EVERYTHING HE HAD SAID TO ME (PARA. 1). THE REPT WAS CONFIRMED BY FOREIGN MINISTER PRINCE SAUD WHO HAD ALSO SEEN THE SHAH. THE SECRETARY DENIED VIGOROUSLY THAT THERE HAD BEEN ANY AMERICAN AGREEMENT TO ANY PRICE INCREASE IN ANY CONVERSATION WITH THE SHAH AND HE REPEATED TO YAMANI THE POLITICAL DISADVANTAGES IN ANY PRICE INCREASE. YAMANI SUGGESTED WE TALK WITH OTHER OPFC LEADERS ABOUT THIS.

4. AL MADINA CARRIED AN ARTICLE ON AUGUST 31 STATING THAT SAUDI ARABIA WOULD NOT CALL FOR A FREEZE IN OIL PRICES, BUT WOULD ASK FOR A LIMITED RISE OF 15 PERCENT. THIS IS THE FIRST INDICATION IN THE SAUDI PRESS THAT THE KINGDOM WOULD SUPPORT ANY INCREASE IN PRICES AT THE FORHLCOMING OPFC MEETING.
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PAGE 01 JIDDA 06164 01 OF 02 070845Z

16
ACTION SS-25

INFO OCT-01 ISO-00 /026 W

001180

R 070705Z SEP 75
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 2339
INFO AMEMBASSY AMMAN
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY BEIRUT
AMEMBASSY TEL AVIV
AMEMBASSY ALGIERS
AMEMBASSY GENEVA
AMEMBASSY KUWAIT
AMEMBASSY DOHA
AMEMBASSY MANAMA
AMEMBASSY ABU DHABI
AMEMBASSY TRIPOLI
AMEMBASSY TEHRAN
AMEMBASSY LONDON

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E.O. 12958, SEC. 3.5
STATE DEPT, GUIDELINES *State Review*
BY Wla, NARA, DATE 5/12/2003 *2/5/03*

~~SECRET~~ SECTION 1 OF 2 JIDDA 6164

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BEIRUT PASS BAGHDAD

GENEVA FOR SAUNDERS

E.O. 11652: GDS
TAGS: SA, US, FF, PFOR
SUBJECT: SAUDI OFFICIALS COMMENT ON THE INTERIM EGYPTIAN/ISRAELI
AGREEMENT

SUMMARY: ROYAL COUNSELOR DR. RASHED PHARAON AND MINISTER OF STATE FOR FOREIGN AFFAIRS PRINCE SAUD BIN FAISAL HAVE IN SEPARATE MEETINGS TOLD THE AMBASSADOR THAT THAT WHILE THEY DID NOT OBJECT TO THE DISENGAGEMENT AGREEMENT PER SE THEY WERE PESSIMISTIC ABOUT THE LONGER RUN CHANCES FOR PEACE. PHARAON

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DID NOT THINK THE USG OR CONGRESS COULD APPLY ENOUGH PRESSURE TO EXTRACT SERIOUS CONCESSIONS FROM ISRAEL OVER THE MAJOR ISSUES THAT ARE STILL OUTSTANDING. HE THOUGHT THE ARAB WORLD SHOULD USE THE TIME SADAT HAS BOUGHT TO REARM (WITH SAUDI HELP) FOR A CONFRONTATION IN THREE OR FOUR YEARS. SUCH A CONFLICT WOULD CERTAINLY INVOLVE EGYPT. PRINCE SAUD'S VIEWS WERE SIMILAR. HE THOUGHT, HOWEVER, THE AMOUNT OF TIME BOUGHT BY DR. KISSINGER COULD BE QUITE BRIEF; HE WAS NOT ONLY PERSONALLY CERTAIN EGYPT WOULD QUICKLY FOLLOW THE OTHER ARAB STATES INTO ANY NEW WAR WITH ISRAEL BUT REPORTED EGYPT'S VICE PRESIDENT AL-MUBARAK AS HAVING ASSURED THE SAG IT WOULD DO SO. END SUMMARY.

1. ON THURSDAY, SEPTEMBER 4, AMBASSADOR MET WITH ROYAL COUNSELOR DR. RASHED PHARAON. PHARAON BEGAN BY EXPRESSING SOME CRITICISMS AND MISGIVINGS OF THE RECENT INTERIM AGREEMENT BETWEEN EGYPT AND ISRAEL. IT WAS OBVIOUS, HE SAID, THE U.S. WILL NOT PUT PRESSURE ON ISRAEL TO WITHDRAW FROM GOLAN OR THE WEST BANK. HE QUOTED THE SECRETARY HIMSELF AS HAVING SAID NOTHING COULD BE DONE BEFORE 1977 AND WHAT HE HOPED WOULD BE THE ELECTION OF A NEW, MORE RESPONSIBLE CONGRESS. DR. PHARAON DOUBTED WHETHER THAT CONGRESS WOULD BE ANY MORE WILLING TO COOPERATE WITH THE EXECUTIVE BRANCH IN A TOUGH U.S. POLICY TOWARDS ISRAEL THAN THE PRESENT ONE.

2. DR. PHARAON SAID THAT, NONETHELESS, HE FAVORED ACCEPTANCE OF THE INTERIM AGREEMENT. THE U.S. HAD ARMED ISRAEL SO HEAVILY THAT IT WAS CLEAR IF THERE WERE A WAR TODAY ISRAEL'S VICTORY WOULD BE OVERWHELMING. THE ARABS, THEREFORE, HAVE TO BUY SOME TIME. THEY MUST RECOGNIZE THAT THERE WILL BE ANOTHER WAR IN THE MIDDLE EAST AND THEY MUST USE THE NEXT FEW YEARS TO PREPARE FOR IT. EGYPT WILL BE ARMED AS HEAVILY AS POSSIBLE WITH ARMS FROM THE U.S., FRANCE, BRITAIN, AND THE SOVIET UNION. THE SAUDIS WILL FOOT THE BILL. SAUDI ARABIA WILL ALSO GIVE SYRIA AND JORDAN FULL ASSISTANCE IN REARMING AND WHEN THE WAR COMES THE ARABS WILL BE IN A BETTER POSITION THAN THEY ARE TODAY. HE DID NOT THINK THIS COULD BE ACHIEVED IN LESS THAN THREE OR FOUR YEARS, HOWEVER.

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3. DR. PHARAON SAID THAT THE EGYPTIANS HAD MADE SOME GAINS. THE POLITICAL CONCESSIONS THEY MADE WERE NOT GREAT AND IT WAS THE UNITED STATES THAT WAS PAYING FOR THE ISRAELI WITHDRAWAL. U.S. ASSISTANCE WOULD CERTAINLY MAKE ISRAEL STRONGER, BUT IN THE INTERVENING YEARS THE ARABS' RELATIVE STRENGTH WOULD INCREASE.

4. PHARAON THOUGHT THIS WAS THE MOST SANE AND MOST SENSIBLE POLICY THE ARABS COULD FOLLOW. REJECTION OF THE AGREEMENT WOULD CERTAINLY NOT BE IN THE ARABS' INTEREST. BUT THERE WAS NO GUARANTEE THAT OTHER ARABS COULD BE PERSUADED TO LOOK AT IT THIS WAY. SYRIA WAS CRITICAL OF THE NEW AGREEMENT, AND THE PLO AND SOME OTHER ARAB STATES WOULD BE STRONGLY OPPOSED. THEY COULD BE COUNTED ON TO DO THEIR BEST TO SEE THAT ARAB ILITANCY DID NOT DIMINISH. IF WAR BROKE OUT BETWEEN SYRIA AND ISRAEL, THERE MUST BE ABSOLUTELY NO DOUBT IN THE MINDS OF ANYONE THAT SAUDI ARABIA, WITH ALL OF ITS CAPABILITIES, WILL COME TO THE AID OF SYRIA --THAT EGYPT WILL HAVE NO CHOICE BUT TO FOLLOW.



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The seal of the United States Department of State, featuring an eagle with a shield, holding an olive branch and arrows, with a constellation of stars above its head. The text "DEPARTMENT OF STATE" is arched above the eagle, and "UNITED STATES OF AMERICA" is arched below it, separated by two small stars.

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ACTION SS-25

INFO OCT-01 TSO-00 1026 W

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R 4170705Z SEP 75
FM AMEMBASSY JTODA
TO SECSTATE WASHDC 2340
INFO AMEMBASSY AMMAN
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY BEIRUT
AMEMBASSY TEL AVIV
AMEMBASSY ALGIERS
AMEMBASSY GENEVA
AMEMBASSY KUWATT
AMEMBASSY DOHA
AMEMBASSY MANAMA
AMEMBASSY ABU DHABI
AMEMBASSY TRIPOLI
AMEMBASSY TEHRAN
AMEMBASSY LONDON

~~SECRET~~ SECTION 2 OF 2 JIDDA 6164

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5. ACCORDING TO PHARAON, SADAT HAD SAID HE WOULD SUPPORT SYRIA IF IT WERE ATTACKED BUT WOULD DECIDE LATER WHETHER HE WOULD SUPPORT SYRIA IF IT WERE THE AGGRESSOR. DR. PHARAON SAID IN SUCH A CASE, HOWEVER, IT WOULD BE IMPOSSIBLE TO DETERMINE WHO THE AGGRESSOR WAS. ISRAEL HAD ALREADY BEGUN ATTACKS ON SOUTH LEBANON, APPARENTLY FEELING THAT ITS EGYPTIAN FRONT WAS NOW TOTALLY SECURED. THIS COULD BE CONSIDERED AN ATTACK ON ARABS AND A CAUSE FOR THEM TO GO TO WAR. IF ISRAEL ENLARGES ITS SETTLEMENTS IN Golan OR WEST BANK AND PARTICULARLY IF IT STARTS NEW ONES, THIS COULD BE INTERPRETED AS AN ABSOLUTE SIGN TO SYRIA, JORDAN AND "ALL THE ARABS" THAT ISRAEL "NEVER" INTENDS TO YIELD ANYTHING, THAT ALL OF THE PROMISES MADE BY HENRY KISSINGER ABOUT THE ULTIMATE SUCCESS IN

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GETTING ISRAEL TO WITHDRAW FROM THESE AREAS WILL HAVE BEEN
EXPOSED AS UNTRUE. SUCH CONCLUSIONS IN THEMSELVES COULD BE CONSIDERED
AS A CAUSE FOR WAR.

8. VIEW OF PRINCE SAUD AL FAISAL: ON SATURDAY, SEPTEMBER 6, MINISTER OF STATE FOR FOREIGN AFFAIRS PRINCE SAUD DISCUSSED THE LATEST EGYPTIAN/ISRAELI AGREEMENT WITH A PESSIMISM THAT WAS SIMILAR TO DR. PHARAONS. THE PRINCE THOUGHT THE AGREEMENT WAS UNEXCEPTIBLE IN ITSELF, BUT IT WAS CLEAR IT WOULD PROVE TO BE ONLY A PRELUDE FOR FURTHER CONFLICT BECAUSE OF THE INABILITY OF THE U.S. FOR A QUICK FOLLOWUP. PRINCE SAUD DID NOT THINK ASAD OR OTHER ELEMENTS IN THE ARAB WORLD COULD WAIT UNTIL 1977 BEFORE THE USG COULD AGAIN GIVE ITS ATTENTION TO THE MAJOR ISSUES THAT ARE STILL OUTSTANDING. SAUD THOUGHT THE SECRETARY HAD BOUGHT TIME-- BUT PERHAPS ONLY A LITTLE TIME--AND HE THOUGHT THAT THE CHANCES FOR AN OUTBREAK OF WAR RANGED FROM PROBABLE TO CERTAIN. HE, TOO, SAID THAT IF WAR BROKE OUT SADAT WOULD QUICKLY HAVE TO COMMIT HIMSELF WITH ALL THE RESOURCES AT HIS COMMAND. SAUD SAID THAT HE PERSONALLY COULD PERHAPS EVALUATE ARAB RESPONSES WITH A MORE LEVEL HEAD THAN SOME, BUT HE WAS CERTAIN THAT IF ANOTHER WAR BROKE OUT ON THE SYRIAN/ISRAELI FRONT NEITHER EGYPT'S NATIONAL INTEREST, NOR THE TERMS OF THE DISENGAGEMENT AGREEMENT, NOR SADAT'S OWN LEADERSHIP COULD DO MORE

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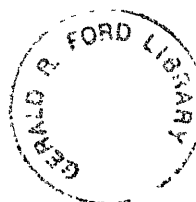
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THAN BRIEFLY IMPEDE EGYPT'S FULL-FLEDGED PARTICIPATION. THE PRINCE ADDED THIS WAS NOT ONLY HIS JUDGMENT BUT EGYPTIAN VICE PRESIDENT HUSNI AL-MURARAK HAD PRIVATELY ASSURED KING KHALID THAT IN THE EVENT OF WAR THE ARABS COULD COUNT ON EGYPT'S FULL COMMITMENT TO THE ARAB CAUSE.

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41
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W 059105

O 111025Z SEP 75
FM AMEMBASSY JIDDA
TO CSTATE WASHDC IMMEDIATE 2370

~~SECRET~~ SECTION 1 OF 2 JIDDA 6254

DECLASSIFIED
E.O. 12958, SEC. 3.5
STATE DEPT, GUIDELINES, State Review 2/5/03
BY bls, NARA, DATE 5/13/2003

EXDIS

DEPARTMENT PASS SECDEF FOR ACTION; USMTM DHAHRAN FOR INFO

E.O. 11652: GDS
TAGS: MASS, SA, US, PFOR, NA, SS
SUBJECT: PRINCE SULTAN DISCUSSES NORTHROP CORPORATION, RAYTHEON, AND
AGENT FEES

REF: JIDDA 5639

SUMMARY: DURING A MEETING WITH MINDEF PRINCE SULTAN SEPT-
EMBER 10, AMBASSADOR POINTED OUT THAT PROBLEMS RELATED TO
NORTHROP CORPORATION'S F-5 PROJECTS AND PAYMENT OF AGENT'S
FEES HAD BEEN POSTPONED BUT NOT SOLVED. UNLESS NORTHROP'S
AGENT ADNAN KHASHOGGI COULD BE PURSUADED TO RELINQUISH HIS
AGENT'S FEES, NORTHROP MIGHT HAVE NO CHOICE BUT TO GO BANK-
RUPT, OR CEASE OPERATIONS IN SAUDI ARABIA. EITHERWAY THE
SAG'S INTERESTS WOULD BE HURT. SULTAN SAID NORTHROP'S
PROBLEMS WERE NOT HIS FAULT; HE HAD A CONTRACT WITH THE
USG, AND HE EXPECTED THE USG TO STAND BEHIND IT. HE
SUGGESTED THE REPLACEMENT OF NORTHROP PERSONNEL BY BLUE-

SUITERS, OR
THAT THE USG--WHICH HAD STARTED THE PROBLEM--
CHANGE ITS LAWS OR PRESSURE KHASHOGGI TO GIVE UP HIS
CLAIMS. SULTAN WAS IMPRESSED HOWEVER TO LEARN THAT APPEALS
BY GOVERNMENTS OF JORDAN AND IRAN TO NORTHROP AGENTS IN
THEIR COUNTRIES HAD BEEN SUCCESSFUL. HE SAID IF USG COULD
PROVIDE HIM WITH A LETTER GIVING DETAILS OF THE SUCCESSFUL
ACTION AGAINST AGENTS IN IRAN AND JORDAN, HE WAS WILLING



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TO HAVE ANOTHER CRACK AT KHASHOGGI. SULTAN ALSO INTENDS TO PROMULGATE A COMPREHENSIVE BAN AGAINST ALL AGENT FEES FOR MILITARY SALES, EITHER BY THE FMS OR GOVERNMENT TO CONTRACTOR ROUTE. HE AND HIS LAWYERS WONDER IF SUCH AN ORDER--IF ISSUED BY A SUFFICIENTLY HIGH AND AUTHORITATIVE SAUDI GOVERNMENTAL BODY--WOULD GIVE THE NORTHROP CORPORATION AND OTHER COMPANIES AN OUT BEFORE U.S. LAWS ON GROUNDS OF FORCE MAJEURE. HIS LEGAL ADVISORS AND MIN STATE FOR FOREIGN AFFAIRS PRINCE SAUD ARE WORKING ON SUCH A SAG STATEMENT OF POLICY. WOULD THIS WORK? COULD DEPT PROVIDE A LETTER GIVING DETAILS OF SUCCESSFUL PRESSURE AGAINST NORTHROP AGENTS IN JORDAN AND IRAN? END SUMMARY.

1. AMBASSADOR MET WITH MINDEF PRINCE SULTAN BIN ABD AL-AZIZ IN TAIF AFTERNOON SEPTEMBER 10 TO DISCUSS NUMEROUS US/SAUDI MILITARY QUESTIONS (SEPTEL8). FOLLOWING THE SIX MONTH EXTENSION TO FEBRUARY, 1976 ON PEACE HAWK III, THE AMBASSADOR SAID THE PROBLEM NORTHROP CORPORATION FACED WITH AGENT'S FEES IN THE PEACE HAWK PROGRAM HAD BEEN POSTPONED, BUT NOT SOLVED. THE TOTAL AMOUNT OF FEES DUE TO ADNAN KHASHOGGI UNDER THE SUBSEQUENT PHASES OF THE PEACE HAWK PROGRAM, COULD TOTAL WELL ABOVE \$80 MILLION. THESE AMOUNTS--AS HAD PREVIOUSLY BEEN POINTED OUT TO PRINCE SULTAN--WOULD EXCEED THE COMPANY'S PROFITS IN ANY OPERATING YEAR. SINCE COMPANY LAWYERS HAD CONCLUDED THERE WAS NO WAY NORTHROP COULD AVOID PAYMENT OF KHASHOGGI'S FEES ON THE PEACE HAWK PROGRAM--WHETHER OR NOT THESE FEES WERE ALLOWED BY THE SAG AS PART OF THE TOTAL COST OF THE PROGRAM--THE COMPANY FACED EITHER BANKRUPTCY OR A NEED TO WITHDRAW FROM ITS SAUDI ARABIAN OPERATIONS. THE AMBASSADOR NOTED THAT KHASHOGGI WAS EXTREMELY RICH, AND HE HAD THOUGHT THAT KHASHOGGI MIGHT BE SUSCEPTIBLE TO AN APPEAL FROM THE SAG TO HIS SAUDI ARABIAN PATRIOTISM. SURELY KHASHOGGI WOULD NOT WANT TO HARM THE WELL-BEING OF A COUNTRY THAT HAD FURNISHED HIM THE BASIS FOR HIS PRESENT FINANCIAL WELL-BEING, AND COULD CONTINUE TO BE IMPORTANT TO HIM IN THE FUTURE?

2. PRINCE SULTAN SAID THE U.S. MUST BE FAIR, AND RECOGNIZE THIS WAS REALLY NOT HIS PROBLEM. HE WAS IN NO WAY TO BLAME FOR NORTHROP'S DIFFICULTIES. HE HAD BEEN DEALING



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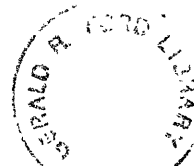
Department of State **TELEGRAM**

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FOR YEARS ON THIS PROGRAM WITH THE USG AND HAD NEVER BEEN TOLD BY ANY AMBASSADOR OR USG REPRESENTATIVE, BEFORE ASST SECRETARY OF DEFENSE ELSWORTH THAT AGENT'S FEES WERE INVOLVED IN FMS CASES. HE NOTED, MOREOVER, THAT ALL OF THESE SALES CASES INCLUDED A STATEMENT TO THE EFFECT THAT "NO AGENT'S OR COMMISSION'S FEES HAD BEEN PAID TO OBTAIN THE AFOREMENTIONED CONTRACT." HE SAID THAT HIS CONTRACT MOREOVER WAS NOT WITH NORTHROP BUT WITH THE UNITED STATES GOVERNMENT, AND HE EXPECTED THE USG TO STAND BEHIND ITS COMMITMENTS. THE USG THEREFORE COULD PAY THE AGENT'S FEES ITSELF, OR TAKE OVER THE OPERATION OF THE CONTRACT WITH BLUE SUITERS, OR CHANGE THE LAW UNDER WHICH KHASHOGGI HAD A HOLD ON THE NORTHROP CORPORATION. THE TROUBLE ALL CAME ABOUT BECAUSE OF THE DEPARTMENT OF DEFENSE AND CONGRESS, AND THEY SHOULD TRY THEIR HAND AT SOLVING IT. IF IT WAS THE INTENTION OF THE US TO HARM ITS POLITICAL AND MILITARY RELATIONSHIPS WITH SAUDI ARABIA, IT SHOULD SPEAK MORE PLAINLY. IN THE MEANTIME, HE WAS IN NO WAY TO BLAME FOR NORTHROP'S DEBACLE. AT THIS POINT SULTAN CALLED IN HIS LEGAL ADVISOR DR. GHAZI NUSEIBEH AND REVIEWED FOR HIM THE PROCEEDING DISCUSSION.

3. AMBASSADOR AKINS SAID THAT FROM THE STANDPOINT OF EQUITY THERE WAS SOMETHING TO BE SAID FOR PRINCE SULTAN'S POSITION. ON THE OTHER HAND, AS A PRACTICAL MATTER, AND AS A MATTER OF REALISM, HE COULD ASSURE THE PRINCE THE US GOVERNMENT WOULD NOT REPEAT NOT PAY KHASHOGGI'S AGENT'S FEES, NOR WOULD IT TAKE OVER THE OPERATION OF THE NORTHROP CONTRACT. HE ASKED AGAIN IF THERE WERE NOT A POSSIBILITY THAT KHASHOGGI MIGHT FOREGO HIS COMMISSION ON SUCCEEDING PORTIONS OF THE PEACE HAWK CONTRACT? IT SEEMED TO THE AMBASSADOR HE COULD BE ASKED TO PASS UP THIS PARTICULAR OPPORTUNITY FOR PROFIT. ALTERNATIVELY, THE AMBASSADOR, WHO THOUGHT SULTAN MIGHT HAVE BEEN LOOKING FOR WAYS OUT OF THE IMPASSE, ASKED IF HE (SULTAN) HAD EVER THOUGHT OF CONSIDERING PEACE HAWK IV AND V AS PART OF THE OVERALL PEACE HAWK EFFORT, AND THEREFORE PART OF AN OLD CASE. IN THESE CIRCUMSTANCES AGENT'S FEES MIGHT STILL BE PAYABLE NOTWITHSTANDING THE STRONG AND CLEAR POSITION HIS ROYAL HIGHNESS HAD TAKEN LAST SPRING AGAINST FUTURE PAYMENTS OF SUCH AMOUNTS.



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4. SULTAN SAID HE COULD NEVER DO THAT. SUCH AN ATTEMPT TO GET AROUND THE CLEAR DICTATES OF LAW AND MORALITY WOULD BE WRONG. IT WOULD NEVER BE ACCEPTED BY THE COUNCIL OF MINISTERS NOR BY THE SAUDI PUBLIC AT LARGE. HE WOULD NOT EVEN WISH TO MENTION SUCH CHICANERY TO ANY SAUDI OFFICIAL. SULTAN ASKED WHY THE USG DIDN'T TRY TO PUT PRESSURE ON KHASHOGGI? KHASHOGGI'S CORPORATION AFTER ALL WAS NOT SAUDI BUT AMERICAN. KHASHOGGI HAD MANY BUSINESS INTERESTS IN THE UNITED STATES AND SULTAN THOUGHT THE US GOVERNMENT COULD EASILY LET KHASHOGGI KNOW THAT HIS STUBBORNNESS WAS HURTING US INTERESTS, AND THAT AS AN IMPORTANT AMERICAN BUSINESSMAN HE OUGHT TO WITHDRAW HIS CLAIMS AGAINST NORTH-ROP. IT SEEMED TO SULTAN THAT AN APPROACH TO KHASHOGGI BY THE USG WOULD BE MORE LOGICAL, AND EVEN MORE LIKELY TO GET RESULTS.

NOTE BY OC/T: NOT PASSED SECDEF OR USMTM DHAHRAN.



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41
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W 059253

O 11025Z SEP 75
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC IMMEDIATE 2371

~~SECRET~~ SECTION 2 OF 2 JIDDA 6254

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5. THE AMBASSADOR AGAIN ARGUED THAT SURELY KHASHOGGI WOULD NOT AND COULD NOT REMAIN INDIFFERENT TO AN APPEAL TO HIS PATRIOTISM AND TO HIS BUSINESS FUTURE FROM THE SAUDI ARABIAN GOVERNMENT. HE NOTED THAT WHEN FACED WITH A SIMILAR SITUATION THE SHAH AND KING HUSSEIN BOTH HAD FORCED--IN THE NAME OF THEIR COUNTRY'S DEFENSE INTERESTS--LOCAL AGENTS TO STAND DOWN FROM THEIR LEGAL RIGHTS. SURELY CLAIMS OF NATIONAL INTEREST WERE JUST AS BINDING UPON SAUDI CITIZENS? SULTAN SAID THIS WAS OF COURSE TRUE, AND ASKED THE AMBASSADOR WHETHER THE SITUATIONS IN IRAN AND JORDAN WERE ACTUALLY COMPARABLE TO THE ONE THEY WERE DISCUSSING IN SAUDI ARABIA. THE AMBASSADOR SAID TO THE BEST OF HIS KNOWLEDGE THEY WERE. SULTAN THEN SAID HE WOULD BE WILLING TO HAVE ANOTHER GO AT KHASHOGGI, AND WOULD AGAIN TRY TO PURSUADE HIS FELLOW MINISTERS TO SUPPORT HIM IF THE USG COULD PROVIDE HIM WITH AN OFFICIAL LETTER STATING (A) THE SIMILIAR NATURE OF THE NORTHROP CONTRACTS IN IRAN/JORDAN/ SAUDI ARABIA, (B) THE ACTION THE OTHER GOVERNMENTS HAD TAKEN--EITHER VIA ROYAL ORDER, A PARLIMENTARY DECREE OR SOME EXECUTIVE ORDER AGAINST THE AGENT, (C) THE RES- PONSE OF THE AGENT AND (D) AN AFFIRMATION THAT THE AGENT'S FEES WERE SUBSTRACTED FROM THE PREVIOUS TOTAL OF THE GOVERNMENT TO GOVERNMENT CONTRACT. SULTAN ALSO SAID THAT BECAUSE HE WOULD HAVE TO CITE KHASHOGGI BY NAME, HE WOULD LIKE THE USG'S LETTER SPECIFICALLY TO MENTION THE IDENTITY OF THE AGENTS IN THE OTHER COUNTRIES,-- THE AMBAS- SADOR SAID HE WOULD SEE WHAT KIND OF A LETTER ALONG THESE LINES HE COULD OBTAIN FROM WASHINGTON. MINISTER OF STATE

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FOR FOREIGN AFFAIRS PRINCE SAUD HERE JOINED THE DISCUSSION.

6. SULTAN TOLD SAUD ZYE QUESTION OF AGENT'S FEES HAD BEEN A BOTHERSOME ONE AND ALL THESE FEES MUST BE STOPPED. HE ASKED THE AMBASSADOR IF ALL OTHER US COMPANIES HAD PAID LARGE AGENTS'S FEES? THE AMBASSADOR SAID, THAT OF THE COMPANIES NOW BEING INVESTIGATED IN THE U.S., RAYTHEON PAID LARGE AGENT'S FEES ON ITS CONTRACTOR TO GOVERNMENT SALES, BUT HE HAD BEEN ASSURED BY THE COMPANY THAT IT HAD PAID NO BRIBES. THE SAUDI GOVERNMENT THEREFORE PROBABLY SHOULD NOT EXPECT HOSTILE CONGRESSIONAL ATTENTION TO BE GIVEN TO THE HAWK MISSILE AND THE IMPROVED HAWK MISSILE CONTRACTS WITH RAYTHEON AS WITH THE NORTHROP OR LOCKHEED CONTRACTS WHERE ALLEGED BRIBES WERE ALSO INVOLVED. HE ALSO TOLD THE PRINCE, THAT AS A RESULT OF THE SAG'S STAND ON FMS CASES, US REGULATIONS HAD BEEN CHANGED TO REQUIRE A CLEAR STATEMENT OF THE AMOUNT OF THE AGENT'S FEES. THE REGULATIONS WOULD SOON ALSO REQUIRE A SIMILAR STATEMENT OF AGENTS FEES ON ALL CONTRACTOR TO GOVERNMENT SALES AS WELL.

7. SULTAN THOUGHT THIS WAS EXCELLENT AND SHOULD HAVE BEEN DONE LONG AGO. HE HAD BEEN DISCUSSING THE AGENT'S FEES PROBLEM WITH CROWN PRINCE FAHD AND PRINCE SAUD, AND WAS PREPARING A GOVERNMENT INSTRUCTION THAT WOULD (A) PROHIBIT PAYMENT OF ANY AGENT'S FEES FOR ANY MILITARY-TYPE SALE, FROM ANY NATION, BE THE SALE FMS OR GOVERNMENT TO CONTRACTOR. (THE PRINCE SAS CONFIDENT THE COUNCIL OF MINISTERS WOULD AGREE TO APPLY THIS BAN TO PARAMILITARY ORGANIZATIONS SUCH AS THE NATIONAL GUARD AS WELL,) AND (B) PROHIBIT ANY NON-SAUDIS FROM FUNCTIONING AS AGENTS FOR ANY PROJECTS IN THE CIVILIAN SECTOR, AND (C) PROHIBIT NON-SAUDIS FROM RECEIVING ANY PORTION OF AGENT'S FEES. SULTAN SPOKE INDIGNANTLY ABOUT THE NUMEROUS LERANESE THAT WERE BENEFITING FROM THE LUCRATIVE AGENT'S PRACTISE IN SAUDI ARABIA. IF THIS CONTINUED, HE IMAGINED THE ONLY JOBS HARD-WORKING SAUDI CITIZENS COULD FIND IN A YEAR WOULD BE ON THE GOVERNMENT PAYROLL. (COMMENT: SULTAN PROPOSALS WOULD BE UNWELCOME TO THE COMMANDER OF THE SAUDI ARABIAN NATIONAL GUARD, SECOND DEPUTY PM PRINCE



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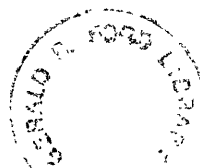
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ABDULLAH, AND HIS LEBANESE IN-LAWS).

8. GOING BACK TO NORTHROP'S PROBLEMS, SULTAN WONDERED WHY HIS EARLIER PROHIBITION OF AGENTS FEES--WHICH HE NOTED HAD BEEN PUBLICLY READ THROUGHOUT THE KINGDOM--DID NOT ALLOW NORTHROP TO PLEAD FORCE MAJEURE IN THE COURTS OF CALIFORNIA. COULD THE SAG STRENGTHEN THE BAN? PRINCE SAUD AND DR. NUSEIBEH THOUGHT THIS MIGHT HELP NORTHROP. SAUD DID NOT BELIEVE IT WOULD BE NECESSARY TO GO AS FAR AS ISSUING A ROYAL DECREE ON THE SUBJECT; DR. NUSEIBEH AGREED. SULTAN SAID HE MIGHT, AS MINISTER OF DEFENSE, ADDRESS SUCH AN ORDER TO THE CHAIRMAN OF THE COUNCIL OF MINISTERS, CROWN PRINCE FAHD, AND ASK THE CROWN PRINCE TO PROMULGATE IT IN HIS NAME, OR IN THAT OF THE COUNCIL OF MINISTERS. THE LEGAL STANDING OF SUCH AN ORDER WOULD BE IDENTICAL TO THAT OF A ROYAL DECREE, AND--FACED BY THE PROSPECT OF OFFICIAL DISPLEASURE AND AN ABSOLUTE BAN AGAINST PAYMENT OF AGENTS' FEES ANY PLACE--THE COMPANY WOULD HAVE AN EFFECTIVE BASIS ON WHICH TO MAKE A FORCE MAJEURE ARGUMENT IN AMERICAN COURTS. PRINCE SAUD AND DR. NUSEIBEH WERE INSTRUCTED TO GET TO WORK ON THE PROJECT IMMEDIATELY. SULTAN SAID HE WOULD PROVIDE THE EMBASSY WITH A COPY OF WHATEVER WAS PROMULGATED, AND IN THE MEANTIME HE HOPED THE AMBASSADOR WOULD TRY AND GET AS SOON AS POSSIBLE FROM THE DEPARTMENT A LETTER ALONG THE LINES MENTIONED IN PARAGRAPH 5 ABOVE.

9. COMMENT: KHASHOGGI MADE A STRONG CASE FOR HIMSELF WITH THE COUNCIL OF MINISTERS, EVIDENTLY OVERRIDING SULTAN'S ENTIRE DECISION.

HIS VICTORY, EQUALLY EVIDENT, WAS NOT REPEAT NOT COMPLETE. IF SULTAN HAD BEEN LOOKING FOR WAYS TO CONTINUE PAYMENTS TO KHASHOGGI HE SURELY WOULD HAVE CONSIDERED THE EXIT CONSIDERED IN PARAGRAPH 3. NOT ONLY DID HE REJECT VIGOROUSLY THE POSSIBILITY OF CONTINUING SOME AGENTS FEES IN THIS PARTICULAR FMS CASE BUT HE PROPOSES STOPPING ALL AGENTS FEES ON ALL MILITARY CONTRACTS--INCLUDING THE NATIONAL GUARD. IF THESE NEW REGULATIONS ARE ACTUALLY PROMULGATED SAUDI ARABIA WILL HAVE TAKEN A LONG STEP FORWARD; IT WILL HAVE REMOVED A MAJOR IRRITANT TO THE YOUNG OR MORE HONEST



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IN THE OFFICERCORPS, AND HENCE HAVE ENHANCED CHANCES FOR CONTINUED STABILITY IN THE KINGDOM.

10. ACTION REQUESTED: (A) A LETTER TO PRINCE SULTAN FROM SECRETARY OF DEFENSE SCHLESINGER IN WHICH WE DETAIL OUR SUCCESS, AND THAT OF THE GOVERNMENTS OF IRAN AND JORDAN IN PERSUADING THE AGENTS IN THESE COUNTRIES TO RELINQUISH THEIR LEGALLY AUTHORIZED FEES FROM NORTHROP CORPORATION PROJECTS, AND (B) DEPARTMENT'S VIEW ON WHETHER AN ABSOLUTE SAUDI BAN ON AGENTS' FEES WOULD CONSTITUTE VALID BASIS FOR FORCE MAJEURE ARGUMENT BY NORTHROP--AND OTHER COMPANIES. IT SHOULD BE EMPHASIZED THAT THE NEW SAUDI ORDERS WILL APPLY TO GOVERNMENT-COMPANY CONTRACTS AS WELL AS FMS CASES AND THAT AS A RESULT OF THE PUBLICITY SURROUNDING CONGRESSIONAL INVESTIGATION OF RAYTHEON, AND ESPECIALLY LOCKHEED, BOTH THESE COMPANIES WILL SOON FACE THE SAME PROBLEM AS NORTHROP I.E. SAUDI PROHIBITION OF ALL AGENTS FEES REGARDLESS OF VALID U.S. CONTRACTS REQUIRING THEM TO PAY VAST SUMS TO THEIR AGENTS. AKINS

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~~CONFIDENTIAL~~ 5661

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W 058928

O 111100Z SEP 75
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC IMMEDIATE 2375

~~CONFIDENTIAL~~ JIDDA 6258

EXDIS

E.O. 11652: XGDS-3
TAGS: ENRG, SA, US
SUBJECT: PRESIDENT FORD'S LETTER TO KING KHALID: "OPEC
OIL PRICE DECISION"

REF: STATE 214123

1. I GAVE PRESIDENT FORD'S LETTER TO PRINCE SAUD
SAUDI FOREIGN MINISTER, THIS MORNING (SEPT 10). IT
WAS TRANSLATED AND GIVEN TO KING KHALID AND PRINCE
FAHD ALMOST IMMEDIATELY.

2. I SAW PRINCE SAUD AND PETROLEUM MINISTER ZAKI
YAMANI LATER IN THE AFTERNOON. BOTH SAID THEY WERE
SURPRISED AT THE LETTER AND ASKED WHY IT WAS NEEDED.
THEY SAID WE ALREADY KNEW SAUDI ARABIA'S POSITION,
THAT IT HAD BEEN STATED BOTH PUBLICLY AND PRIVATELY.
ITS POLICY WAS IN ACCORDANCE WITH OUR WISHES, I.E.
TO FREEZE OIL PRICES AT LEAST UNTIL JANUARY 1976.
THEY SAID THEY HOPED THE UNITED STATES, THIS TIME,
WOULD PUT STRONG PRESSURE ON IRAN AND OTHER OPEC
MEMBERS TO COOPERATE WITH SAUDI ARABIA TO KEEP
THE LID ON PRICES. AS THEY HAD SAID BEFORE,
IT WILL BE DIFFICULT FOR THEM TO ACT AGAINST
A UNITED OPEC. I AGREED THAT IT WOULD BE DIFFICULT
BUT THIS TIME IT WOULD NOT RPT NOT BE IMPOSSIBLE.

2. I ASKED IF WE COULD EXPECT A REPLY IN WRITING.

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E.O. 12958, SEC. 2.5
STATE DEPT. GUIDELINES
BY HR DATE 2/26/01

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PRINCE SAUD SAID HE DIDN'T THINK ONE WAS NECESSARY
BUT THERE MIGHT BE ONE; IT WOULD, HOWEVER, SAY NO
MORE THAN WHAT HE HAD JUST TOLD ME.
AKINS



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~~SECRET~~ 6683

PAGE 01 JIDDA 06376 161433Z

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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R 161210Z SEP 75
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 2431
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY AMMAN
AMEMBASSY BEIRUT
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY SANA
AMEMBASSY TEL AVIV

~~SECRET~~ JIDDA 6376

EXDIS

BEIRUT PASS BAGHDAD

E.O. 11652: GDS
TAGS: PFOR, XF, SA
SUBJECT: SAG RECOMMENDING ARAB ACCEPTANCE OF SINAI AGREEMENT

SUMMARY: THE AMBASSADOR HAS MADE SEVERAL REQUESTS THAT
EITHER KING KHALID OR CROWN PRINCE FAHD MAKE A PUBLIC
STATEMENT OF SUPPORT OF THE ISRAELI-EGYPTIAN AGREEMENT
SIMILAR TO THAT MADE BY PRINCE SAUD SEPTEMBER 2. NEITHER
HAS YET DONE SO BUT SAUDI LEADERS ARE ADVISING OTHER
COUNTRIES--ESPECIALLY ALGERIA AND SYRIA--TO MODERATE THEIR
POSITIONS AND ACCEPT THE AGREEMENT. PRINCE SAUD TAKES
THE CREDIT FOR WHAT HE TERMS THE RECENT MODERATION OF
THE SYRIAN POSITION. END SUMMARY.

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Department of State **TELEGRAM**

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PAGE 02 JIDDA 06376 161433Z

1. SAUDI FOREIGN MINISTER, PRINCE SAUD, IN HIS FAREWELL STATEMENT TO SECRETARY KISSINGER ON SEPTEMBER 2, PUBLICLY SUPPORTED THE JUST-CONCLUDED EGYPTIAN-ISRAELI AGREEMENT AS A STEP TOWARD THE SETTLEMENT OF THE PALESTINIAN ISSUE WHICH HE DESCRIBED AS THE HEART OF THE MIDDLE EAST PROBLEM.

2. I HAVE ASKED PRINCE SAUD, CROWN PRINCE FAHD AND DEFENSE MINISTER SULTAN SUBSEQUENTLY IF KHALID OR CROWN PRINCE FAHD COULD MAKE A FURTHER OR SIMILAR PUBLIC STATEMENT OF SUPPORT. THEY HAVE NOT YET DONE SO - AND MAY NOT EVER - BUT THEY ARE ADVISING THE OTHER ARAB COUNTRIES TO ACCEPT THE AGREEMENT ON THE CONDITION THAT IT WILL BE FOLLOWED QUICKLY BY OTHER STEPS TOWARD A PERMANENT PEACE. HOWEVER SAUD HIMSELF AGAIN REFERRED TO THE ACCORD IN A PRESS STATEMENT ON HIS RETURN FROM IRAN SEPT 11. (CARRIED FBIS)

3. ACCORDING TO PRINCE SAUD, THE SAG HAS URGED, PARTICULARLY, THE ALGERIANS AND THE SYRIANS TO MODERATE THEIR POSITIONS ON THE AGREEMENT. THE SAUDIS HAVE SAID THAT THEY HAVE NO ILLUSIONS ABOUT WHAT WAS ACCOMPLISHED BUT HAVE WARNED THE RADICALS THAT THE ARABS WOULD ONLY LOSE BY ALLOWING THEIR DIFFERENCES ON THIS MATTER TO SPLIT ARAB RANKS. PRINCE SAUD TOLD ME THE SYRIANS RESPONDED POSITIVELY TO THE SAUDI APPROACH AND HE TOOK CREDIT FOR THE "MODERATE" LINE TAKEN BY PRESIDENT ASAD IN HIS RECENT SPEECH IN PRAGUE. THE SAUDIS ALSO THINK THE ALGERIANS HAVE TAKEN THEIR ADVICE AND HAVE MODERATED "ABOUT AS MUCH AS THEY CAN" THEIR LINE TOWARD THE AGREEMENT. THE SAUDIS ARE ALSO TRYING TO PERSUADE THE IRAQIS AND THE PALESTINIANS TO MODERATE THEIR OPPOSITION AND

THEY MAY EVEN BE SUCCESSFUL HERE.

4. COMMENT: IT SHOULD BE EMPHASIZED HERE THAT THE SAUDIS ARE VERY SPECIFIC IN THEIR BACKING OF THE AGREEMENT; THEY ARE OPERATING UNDER NO BELIEF THAT IT IS IN FACT A "DEFINITE POSITIVE" STEP TOWARD PEACE, ONLY THAT IT IS NECESSARY TO MAINTAIN A SOLID ARAB FRONT. THEY ALSO BELIEVE THERE IS AT LEAST A BARE CHANCE OF ISRAEL MAKING



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THE NECESSARY CONCESSIONS FOR PEACE. BUT IN ANY CASE,
THE ARABS MUST PREPARE THEMSELVES FOR A WAR WHICH MOST-
POSSIBLY ALL- LEADING SAUDIS BELIEVE IS INEVITABLE.
(SEE NEXT FOLLOWING TELEGRAM FOR ANALYSIS FOR SAUDI
ATTITUDES.)
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~~SECRET~~ 8296

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ACTION SS-25

INFO OCT-01 TSD-00 SSD-00 /026 W

129396

R 161212Z SEP 75
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 2432
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY AMMAN
AMEMBASSY BEIRUT
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY SANA
AMEMBASSY TEL AVIV

DECLASSIFIED
E.O. 12958, SEC. 3.5
STATE DEPT, GUIDELINES, State Review 2/5/03
BY MA, NARA, DATE 5/13/2003

~~SECRET~~ SECTION 1 OF 2 JIDDA 6377

EXDIS

BE TRUT PASS BAGHDAD

F.O. 11652: GDS
TAGS: PFOR, XF, SA
SUBJECT: SAUDI ATTITUDES TOWARD THE EGYPTIAN-ISRAELI AGREEMENT
AND PROSPECTS FOR PEACE

REF: (A) JTDDA 6376
(B) JTDDA 6164

SUMMARY: THE SAG HAS BEEN TELLING OTHER ARAB GOVERNMENTS TO SUPPORT THE EGYPTIAN-ISRAELI SINAT ACCORD BUT DISCUSSIONS WITH A BROAD SPECTRUM OF THE SAUDI LEADERSHIP, INCLUDING PRINCE FAHD, REVEAL PESSIMISM ABOUT THE CHANCES OF AVOIDING A NEW ROUND OF FIGHTING. MOST SAUDIS AGREE

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THAT THE ARABS NEED SOME YEARS BEFORE THEY WILL BE ABLE TO STAND UP TO ISRAEL, BUT THEY ARE NOT SANGUINE THAT EITHER THE ISRAELIS OR THE RADICAL ARABS ARE PREPARED TO WAIT WHILE ARAB STRENGTH GROWS. NO ARAB COUNTRY THEY SAY--INCLUDING EGYPT--WILL BE ABLE TO STAY OUT OF THE NEXT ROUND. ISRAEL MIGHT BEAT THE ARAB ARMIES, THEY SAY, BUT THE OIL BOYCOTT WILL OBLIGE THE WESTERN WORLD TO PRESSURE ISRAEL TO WITHDRAW. DESPITE THEIR PESSIMISM THE SAUDIS DESPERATELY HOPE THAT THE U.S. CAN BRING ABOUT A PEACEFUL SETTLEMENT. END SUMMARY.

2. IN LATE AUGUST THE SAUDIS WERE VERY SUSPECT OF WHAT THEY INTERPRETED AS U.S.-ISRAELI EFFORTS TO ENTICE EGYPT INTO A POSITION OF NONBELLIGERENCY AND TO REMOVE IT FROM THE BROADER ISRAELI-ARAB CONFLICT. THIS WOULD ENABLE ISRAEL TO CONCENTRATE ON ITS NORTHERN AND EASTERN ENEMIES AND CONSOLIDATE ITS POSITIONS, NOT ONLY IN THE GOLAN HEIGHTS AND THE WEST BANK BUT ALSO IN A LARGE PART OF THE SINAI PENINSULA.

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GOIAN HEIGHTS ON OCTOBER 15. WHETHER HE ACTUALLY SAID THIS IS DIFFICULT IF NOT IMPOSSIBLE TO DETERMINE BUT IT WAS CERTAINLY THE IMPRESSION HE LEFT IN THE MINDS OF THE SAUDIS. MUBARAK ALSO TOLD KING KHALID THAT PRESIDENT ASAD OF SYRIA WAS FULLY BRIEFED ON THIS AND HE WAS IN ACCORD WITH THE EGYPTIAN-ISRAELI AGREEMENT.

4. AHMED ZAKI YAMANI, THE PETROLEUM MINISTER, WHO HAD BEEN IN DAMASCUS TWO DAYS EARLIER TOLD THE KING IMMEDIATELY AFTER MUBARAK LEFT THAT ASAD SHOWED NO DISPOSITION TO ACCEPT THE ACCORD AND HE GAVE NO INDICATION WHATSOEVER THAT THERE MIGHT BE ANY ISRAELI COMMITMENT TO WITHDRAW FROM GOLAN OR ANY PLACE ELSE. IN FACT, ASAD GAVE YAMANI PRECISELY THE OPPOSITE IMPRESSION. KING KHALID REPLIED THAT ASAD PROBABLY HAD BEEN SWORN TO SECRECY BY PRESIDENT SADAT AND HAD THEREFORE DELIBERATELY GIVEN YAMANI A WRONG IMPRESSION. YAMANI ADMITTED THIS WAS A POSSIBILITY BUT THOUGHT IT WAS UNLIKELY.

5. THE SAUDIS WHO, ACCORDING TO PRINCE FAHD AND YAMANI, HAD BEEN INTENDING TO TAKE A FAIRLY NEGATIVE POSITION WITH SECRETARY KISSINGER ON SEPTEMBER 2 DECIDED, BECAUSE OF THE ASSURANCES GIVEN BY MUBARAK, THAT THE AGREEMENT WAS IN FACT MUCH BETTER THAN IT APPEARED TO BE. THEY WERE, HOWEVER, DISTURBED THAT THE SECRETARY, WHEN HE CAME A FEW HOURS LATER, DID NOT MENTION ANY ISRAELI COMMITMENT TO MOVEMENT, ONLY THAT ISRAELI PRIME MINISTER RABIN WOULD COME TO THE U.S. THE MIDDLE OF OCTOBER TO START TALKS ON FURTHER DISENGAGEMENT ON GOLAN. THE SAUDIS WERE ALSO DISTURBED THAT THE SECRETARY IN HIS SUBSEQUENT PUBLIC STATEMENT AVOIDED MENTION OF ISRAELI MOVEMENT ON THE WEST BANK EXCEPT IN THE BROADER CONTEXT OF WORKING TOWARD A JUST OVERALL PEACE SETTLEMENT.

6. WHEN SECRETARY KISSINGER, AT THE CLOSE OF THE MEETING, ON SEPTEMBER 2 ASKED TO SEE PRINCE FAHD ALONE THE SAUDIS ASSUMED IT WAS TO FILL HIM IN ON THE SECRET DETAILS OF THE ISRAELI COMMITMENT. THEY WERE SURPRISED TO LEARN THAT THE MEETING WAS FOR QUITE ANOTHER PURPOSE.

7. THE FOLLOWING DAY SYRIAN FOREIGN MINISTER KHADDAM

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CAME TO SAUDI ARABIA AND EXPLAINED THAT THERE HAD BEEN NO SECRET AGREEMENT, THAT THE EGYPTIANS HAD DECEIVED THEM AND THAT EGYPT WAS INDEED EFFECTIVELY ISOLATED FROM THE ARAB-ISRAELI CONFLICT, THAT THIS AGREEMENT CONSTITUTED AN OVERSHELMING VICTORY OF ZIONISM, THAT IT ACCOMPLISHED FOR ISRAEL WHAT IT HAD WORKED FOR FOR TWENTY YEARS.



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11
ACTION SS-25

R 161212Z SEP 75
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 2433
AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY AMMAN
AMEMBASSY BETRUT
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY DHAHRAN
AMEMBASSY DOHA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY SANA
AMEMBASSY TEL AVIV

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C O R R E C T E D C O P Y F O R S E C T I O N I N F O R M A T I O N

8. THE SAUDIS WERE BADLY SHAKEN. PRINCE FAHD NOW SPEAKS OF THE DECEIT OF THE EGYPTIANS AND OF "SOME OF OUR OWN PEOPLE," (READ INTELLIGENCE ADVISOR KAMAL ADHAM). THE SAUDIS ARE NONETHELESS NOT RPT NOT DISPOSED TO DENOUNCE THE AGREEMENT; IN FACT, THEY THINK IT MUST BE SUPPORTED AT LEAST FOR THE NEXT FEW MONTHS.

9. PRESIDENT SADAT, IN AN EFFORT TO REASSURE THE SAUDIS, HAS SENT ASHRAF MAKWAN, HIS SPECIAL ADVISOR, TO SAUDI ARABIA AT LEAST TWICE IN THE LAST WEEK. MAKWAN EXPLAINED THAT MABARAK HAD BEEN SOMEWHAT OVER-ENTHUSIASTIC IN HIS DESCRIPTIONS OF THE ISRAELI "COMMITMENT" OR THE AMERICAN "COMMITMENT" TO PUT PRESSURE ON ISRAEL, BUT IT WAS "CERTAIN"

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THAT TALKS WOULD BEGIN ON OCTOBER 15 AS SECRETARY KISSINGER HAD PROMISED AND THAT ISRAELI WITHDRAWAL FROM ALL THE OCCUPIED LANDS STILL REMAINED THE EGYPTIAN GOAL. MARWAN ARGUED, AND SEVERAL SAUDIS HAVE ACCEPTED HIS THESIS, THAT IF A MAN OWES YOU \$1,000 AND OFFERS TO PAY YOU BACK \$100, YOU ACCEPT THE \$100; THE OTHER \$900 WILL STILL BE OWED.

10. AT THE SAME TIME, THE EGYPTIANS ARE ALSO TAKING A NEW AND LESS REASSURING LINE WITH THE SAUDIS. THEY ARE, ACCORDING TO ALL SAUDI ACCOUNTS WE HAVE, NOW TALKING ABOUT THE NEAR INEVITABILITY OF WAR. THEY THINK THERE IS ALMOST NO POSSIBILITY THE UNITED STATES WILL PUT PRESSURE ON ISRAEL, THAT IN THE ABSENCE OF SUCH PRESSURE THERE IS NO POSSIBILITY WHATSOEVER THAT ISRAEL WILL CONCLUDE THAT IT IS IN ITS OWN BEST INTERESTS TO REACH PEACEFUL ACCOMMODATION WITH THE ARABS. THE ARABS THEREFORE MUST USE THE TIME TO PREPARE THEMSELVES FOR THE NEXT WAR.

11. ROYAL ADVISOR RASHED PHARAON TOLD ME HE THOUGHT THE ARABS MUST WAIT AT LEAST THREE YEARS BEFORE THEY CAN FACE ISRAEL (REF B). ZAKI YAMANI SAID THEY MUST WAIT AT LEAST FIVE - OR BETTER TEN. IN A DECADE HE IS SURE THE ARAB STRENGTH WILL BE SO OVERWHELMING THAT ISRAEL WILL BE COMPELLED TO MAKE PEACE OR BE ANNIHILATED. YAMANI - AND MOST SAUDIS - BELIEVE ISRAEL HAS ATOMIC WEAPONRY BUT "WE WILL HAVE IT, TOO."

12. ALL SAUDIS WHO TALK OF WAR ALSO TALK OF THE POSSIBILITY OF GREAT POWER INVOLVEMENT - HENCE A WORLD WAR. MOST ALSO BELIEVE THE UNITED STATES AND EGYPT WERE WRONG IN HAVING SETTLED FOR A PARTIAL PEACE WHEN, THROUGH CONTINUED PRESSURE ON ISRAEL, IT MIGHT HAVE BEEN POSSIBLE TO HAVE ACHIEVED A LASTING PEACE.

13. THE SAUDIS SAY THAT REALISTICALLY THEY MAY NOT HAVE MUCH TIME TO WAIT. THE ISRAELIS, THEY BELIEVE, PROBABLY WOULD LIKE TO START A WAR VERY SOON - AT LEAST TO OCCUPY SOUTHERN LEBANON; AND THERE SURELY ARE SYRIANS, IRANIS AND MANY PALESTINIANS WHO ARE NOT PREPARED TO WAIT PATIENTLY A DECADE UNTIL ARAB STRENGTH GROWS. EVERY

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SAUDI WE HAVE TALKED TO RECENTLY INSISTS THERE IS NO WAY ANY ARAB COUNTRY COULD STAY OUT OF THE FRAY, SHOULD WAR BEGIN. SAUDI WOULD AUTOMATICALLY BE IN ON THE SIDE OF SYRIA AND SO WOULD EGYPT.

14. ASHRAF MARWAN HAS ALSO REASSURED THE SAUDIS THAT IF THE WAR BEGINS ON THE SYRIAN FRONT, EGYPT VERY DEFINITELY WILL BE INVOLVED. ISRAEL HAS ALREADY PROVED ITSELF TO BE THE AGRESSOR IN ITS ATTACKS ON SOUTHER LEBANON; ITS CONTINUEDRENEWED BUILDING PROGRAMS ON THE WEST BANK AND THE GOLAN DEMONSTRATES THIS BEYOND ANY SHADOW OF A DOUBT. WHETHER IT IS ISRAEL, THE SYRIANS OR THE PALESTINIANS WHO MAKE THE FIRST MILITARY MOVE IS TOTALLY IRRELEVANT; ISRAEL, THEY INSIST, IS THE AGRESSOR.

15. THE SAUDIS ENGAGE IN NO BRAVADO. THEY ADMIT THAT ISRAEL, WHICH HAS BEEN EXTRAORDINARILY HEAVILY ARMED BY THE U.S. SINCE OCTOBER 1973, IS RELATIVELY STRONGER TODAY THAN IT WAS THEN. THEY SAY THAT ISRAEL COULD EXPECT VICTORIES AGAINST THE COMBINED ARAB ARMIES, BUT THEY ALSO SAY THE OIL BOYCOTT THIS TIME WOULD BE MUCH STRONGER THAN IT WAS BEFORE, THAT THE WESTERN WORLD WOULD HAVE TO PUT PRESSURE ON ISRAEL TO WITHDRAW OR FACE ECONOMIC COLLAPSE. THE SAUDIS ALSO RECOGNIZE THE DANGERS IN SUCH A POLICY BUT THEY BELIEVE THERE IS NO OTHER CONCEIVABLE ONE THEY COULD FOLLOW.

16. CONCLUSION AND COMMENT: MOST SAUDIS THINK THE PRESENT AGREEMENT WILL LAST AT LEAST THROUGH THE END OF THE YEAR. THEY THINK THAT IF THERE IS NO MOVEMENT ON THE PALESTINIAN AND SYRIAN FRONTSBY THAT TIME THE AGREEMENT WILL THEN COLLAPSE. ALL OF THEM, IT SHOULD BE EMPHASIZED, HOPE DEPERATELY THAT THEY ARE WRONG, THAT THE UNITED STATES WILL PUT PRESSURE ON ISRAEL TO REACH A FINAL SETTLEMENT. AND THE SAUDI LEADERSHIP, FOR THE TIME BEING AT LEAST, IS TRYING TO PERSUADE RADICAL ARABS TO GIVE THE AGREEMENT A CHANCE TO WORK. THEIR LINE WITH THE OTHERS - EGYPT INCLUDED - SEEMS TO BE THAT THE ARABS MAY WELL HAVE BEEN TAKEN IN BY THE AGREEMENT. BUT THERE IS ALSO A FAINT CHANCE THAT ISRAEL CAN BE PERSUADED TO MOVE. IT IS THIS LATTEK PROSPECT ON WHICH ALL ARABS MUST CONCENTRATE.

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THEY MUST, HOWEVER, PREPARE THEMSELVES FOR WAR. THE SAUDIS - PROBABLY ALL OF THEM - WOULD, IF GIVEN THEIR WISHES, PREFER A LONG PERIOD OF PREPARATION, BOTH TO GIVE A PEACE SETTLEMENT A GREATER CHANCE AND TO INSURE THEMSELVES OF VICTORY WHEN WAR COMES. BUT THEY

ALSO RECOGNIZE THAT THEY WILL NOT BE THE DETERMINERS OF WAR OR PEACE; THAT NEITHER THEY OR THE EGYPTIANS WILL PROBABLY BE ALLOWED BY ISRAEL OR BY THE RADICAL ARABS - THE LUXURY OF A LONG PEACE UNLESS THERE ARE RAPID ISRAELI WITHDRAWALS FROM ADDITIONAL ARAB TERRITORY.
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WITHDRAWAL ID 06962

REASON FOR WITHDRAWAL National security restriction
TYPE OF MATERIAL Telegram
CREATOR'S NAME Ambassador Akins
CREATOR'S TITLE Amembassy Jidda
RECEIVER'S NAME Henry Kissinger
RECEIVER'S TITLE SecState
TITLE Letter from Prince Sultan on Arms
Purchases
DESCRIPTION Transcript of letter to Ambassador
Akins
CREATION DATE 09/23/1975
VOLUME 4 pages
COLLECTION/SERIES/FOLDER ID . 027500079
COLLECTION TITLE HENRY A. KISSINGER AND BRENT SCOWCROFT
PARALLEL FILE OF DOCUMENTS OPENED FROM
UNPROCESSED COLLECTIONS (National
Security Advisors)
BOX NUMBER A1
FOLDER TITLE Saudi Arabia - State Department
Telegrams, EXDIS to SECSTATE (1)-(3)
DATE WITHDRAWN 04/13/1994
WITHDRAWING ARCHIVIST KBH

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ACTION SS-25

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TO SECSTATE WASHDC PRIORITY 2483
INFO AMEMBASSY ABU DHABI
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E.O. 12958, SEC. 3.5
STATE DEPT, GUIDELINES, *State Review 2/5/03*
BY *sls*, NARA, DATE *5/13/2003*

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E.O. 11652: GDS
TAGS: ENRG, SA, US
SUBJECT: OIL PRICES: FORTHCOMING OPEC MEETING
REF: A. JIDDA 6009; B. JIDDA 6135

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SUMMARY: SAUDI OIL MINISTER YAMANI BELIEVES SAUDI ARABIA'S EFFORTS TO HOLD THE LID ON OIL PRICES HAVE BEEN MODERATELY SUCCESSFUL. HE BELIEVES THE SEPT 24 OPEC MEETING WILL NOW RESULT IN AN INCREASE OF ONLY FIVE PERCENT. YAMANI MADE IT CLEAR THAT SAUDI ARABIA'S ROLE WAS NOT IN RESPONSE TO THE "NEW HARD LINE" OF THE U.S. ANY PREMATURE PUBLICATION OF THIS "DECISION" WOULD WEAKEN YAMANI'S POSITION AT THE VIENNA MEETING. DEPARTMENT SHOULD TAKE GREAT CARE THAT NO PRESS LEAKS OCCUR PRIOR TO OFFICIAL OPEC ANNOUNCEMENT AFTER THE MEETING. A PRIVATE LETTER OF THANKS FROM THE PRESIDENT TO THE KING WOULD THEN BE VERY MUCH APPRECIATED BY THE SAUDIS. END SUMMARY.

1. AHMED ZAKI YAMANI, SAUDI MINISTER OF PETROLEUM, TOLD ME LAST NIGHT (SEPT 22) THAT OPEC, IN THE SEPTEMBER 24 MEETING, WOULD ACCEPT THE "SAUDI COMPROMISE," E.E. AN INCREASE IN OIL PRICES OF FIVE PERCENT; A FURTHER INCREASE OF FIVE PERCENT WOULD THEN BE AGREED UPON IN ADVANCE FOR THE DECEMBER MEETING. YAMANI SAID THERE WERE STILL THOSE IN THE SAUDI GOVERNMENT (HIMSELF INCLUDED) WHO WOULD HAVE PREFERRED TRYING TO HOLD THE LINE ON PRICES AT LEAST THROUGH THIS YEAR. BUT THE SAUDI CONSENSUS WAS THAT THEY WOULD PROBABLY GET NO SUPPORT FROM ANY OTHER OPEC COUNTRY AND NO ONE IN THE KINGDOM WANTED TO RISK THE DESTRUCTION OF THE ORGANIZATION.

2. YAMANI HAD STOPPED IN ALGIERS ON HIS RECENT TRIP TO WASHINGTON AND GOT ALGERIAN CONCURRENCE. WHILE IN WASHINGTON HE SAW THE VENEZUELAN MINISTER OF MINES AND HYDROCARBONS WHO ALSO AGREED, ALTHOUGH HE (THE VENEZUELAN) WOULD PREFER A TEN PERCENT INCREASE NOW AND NO INCREASE IN DECEMBER. YAMANI WENT TO BAGHDAD SEPTEMBER 21 AND "ALTHOUGH THEY PROTESTED, THEY WILL GO ALONG." HE THOUGHT THERE WAS NO DOUBT THAT THE GULF STATES WOULD FOLLOW THE SAUDI LEAD; AND "IT DOESN'T MATTER WHAT LIBYA DOES." THE IRANIS, HE SAID, NOT RPT NOT THE SAUDIS WILL THEN BE ISOLATED AND "THEY, TOO, WILL NOT BE ABLE



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TO RISK THE DESTRUCTION OF OPEC."

3. YAMANI THOUGHT THE SHAH MAY ALREADY HAVE MODIFIED HIS POSITION. VERY SHORTLY AFTER HIS MEETING WITH THE SHAH (REF B), HE SAID HE NOTED THAT THE IRANIAN AMBASSADOR IN WASHINGTON REFERRED TO THE POSSIBILITY OF A PRICE INCREASE OF ONLY FIVE OR TEN PERCENT.

4. YAMANI SAID HE HOPED THE CONSUMERS WOULD BE PLEASED WITH THE ROLE SAUDI ARABIA HAS TAKEN BUT HE CAUTIONED REPEATEDLY (AS HE HAD EARLIER - REF B) THAT THE UNITED STATES MUST NOT CONCLUDE THAT THE SAUDI ACTION HAS BEEN IN RESPONSE TO OUR "NEW HARD LINE" TOWARD THEM. THE SAUDI DECISION TO HOLD THE LID ON PRICES HAD BEEN TAKEN - IN THEIR PRIVATE ASSURANCES TO US AND IN THEIR PUBLIC STATEMENTS - BEFORE THE FIRST LEAKS APPEARED IN THE PRESS ON "GETTING TOUGH WITH SAUDI ARABIA." HE SAID THAT ANY PUBLIC CROWING ABOUT THE EFFECTIVENESS OF OUR "NEW HARD LINE" WOULD NOT RPT NOT ONLY BE WRONG BUT WOULD VERY LIKELY ENSURE SAUDI INABILITY TO HOLD THE LINE ON PRICES IN DECEMBER.

5. YAMANI SAID THAT IF IRAN AND OTHERS SUPPORT THE VENEZUELAN VARIATION (PARA 2), SAUDI ARABIA PROBABLY WOULD NOT OBJECT. I ASKED IF THERE WOULD NOT BE A DANGER THEN THAT OTHERS WOULD ARGUE IN DECEMBER THAT CIRCUMSTANCES HAD CHANGED AND THAT PRICES SHOULD, IN FACT, BE INCREASED. HE THOUGHT THIS WAS CERTAIN, BUT THOUGHT THEY WOULD FAIL, "UNLESS, OF COURSE, CIRCUMSTANCES HAVE CHANGED." BY THIS HE SAID HE MEANT A FAILURE OF THE CONSUMER/PRODUCER CONFERENCE OR MORE OVERT PRESSURE OR THREATS AGAINST SAUDI ARABIA.

6. COMMENT AND ACTION REQUESTED: YAMANI WAS CONFIDENT THAT THE SAUDI "COMPROMISE" WOULD BE ACCEPTED. THERE WAS NOTHING TENTATIVE IN THIS PREDICTION. IT IS, OF COURSE, EXTREMELY IMPORTANT THAT THERE BE NO LEAKS TO THE PRESS PRIOR TO THE OFFICIAL ANNOUNCEMENT FOLLOWING THE VIENNA OPEC MEETING. YAMANI MAY BE EXAGGERATING SAUDI INFLUENCE OVER OPEC, AND ANY PREMATURE PUBLICATION OF THE "DECISION" WOULD WEAKEN YAMANI'S POSITION

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The seal of the United States Department of State, featuring an eagle with a shield, holding an olive branch and arrows, with a constellation of stars above its head. The text "DEPARTMENT OF STATE" is arched above the eagle, and "UNITED STATES OF AMERICA" is arched below it, separated by two small stars.

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THERE. ON THE OTHER HAND, YAMANI ALSO SAID IN THIS CONTEXT THAT HE HOPED "EVENTUALLY THE AMERICANS WILL UNDERSTAND WHO THEIR REAL FRIENDS ARE." IT WOULD NOT RPT NOT BE THE FIRST TIME HE HAS CAUTIONED US TO SECRECY AND THEN GIVEN THE STORY TO THE PRESS HIMSELF.

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